

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 773 - SB 772

April 23, 2021

SUMMARY OF ORIGINAL BILL: Removes the option for dealers of aviation fuel to file a report on a monthly basis, rather than a monthly or quarterly basis, which states the total amount, in gallons, of aviation fuel sold and the dollar amount collected from such sales to the Commissioner of the Department of Revenue (DOR).

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (007439): Deletes all language after the enacting clause. Decreases from 4.5 percent to 4.25 percent, the aviation fuel tax rate. Decreases the maximum amount of sales and use tax due from a person's purchase, use, consumption, or storage of aviation fuel from \$10,500,000 to \$8,500,000 in FY21-22 and to \$5,000,000 in FY22-23 and subsequent years. Requires the Transportation Equity Trust Fund to be reimbursed by the General Fund for decreased aviation fuel tax revenue resulting from any public act passed by the General Assembly after January 1, 2021, in an amount equal to the estimated decrease in tax revenue reflected in the fiscal note. Requires the Department of Finance and Administration to report to the Chairs of the Finance, Ways, and Means Committees of the House of Representatives and of the Senate, to the Chair of the Transportation Committee of the House of Representatives, and to the Chair of the Transportation and Safety Committee of the Senate no later than December 31 of each year regarding the amount of tax revenues collected in the previous year.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Increase State Expenditures - \$2,917,400/FY21-22
\$6,417,400/FY22-23 and Subsequent Years**

Other Fiscal Impact – To the extent other airlines meet the parameters of this legislation in the future, the Transportation Equity Trust Fund would experience a decrease in revenue due to the fixed amount of reimbursement the Fund would receive from the General Fund.

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 67-6-217(a), the current aviation fuel tax rate is 4.5 percent. Lowering the rate by 0.25 percent would result in a decrease in state revenue of 5.56 percent (0.25% / 4.5%) of the total base amount.
- Based on information previously provided by the Department of Revenue, collections for the aviation fuel tax over the last three fiscal years were:
 - FY17-18: \$26,800,000
 - FY18-19: \$27,700,000
 - FY19-20: \$24,100,000
- It is estimated that collections in FY21-22 and subsequent years will be \$27,000,000.
- Pursuant to the proposed legislation, the Transportation Equity Trust Fund will experience an increase in revenue from the General Fund equal to the decrease in revenue resulting from this proposed legislation; therefore, any fiscal impact to the Transportation Equity Trust Fund is considered not significant, and such fiscal impact is reflected as an increase in state expenditures from the General Fund.
- One taxpayer currently meets the \$10,500,000 aviation fuel tax cap payable per taxpayer, established in Tenn. Code Ann. § 67-6-217(b), and that only that taxpayer will continue to meet the cap after the proposed tax rate and tax cap decrease and therefore pay the maximum amounts. Therefore, the proposed tax rate decrease will not directly impact this taxpayer's aviation fuel payments; such payments will be impacted by the decrease in the cap payable per taxpayer.
- The increase in state expenditures from the General Fund associated with that taxpayer is estimated to be \$2,000,000 (\$10,500,000 - \$8,500,000) in FY21-22, and \$5,500,000 (\$10,500,000 - \$5,000,000) in FY22-23 and subsequent years.
- All other taxpayers will be impacted by the proposed tax rate decrease. Such taxpayers are currently estimated to remit approximately \$16,500,000 (\$27,000,000 - \$10,500,000) in aviation fuel taxes.
- The increase in state expenditures from the General Fund associated with all other taxpayers is estimated to be \$917,400 (\$16,500,000 x 5.56%) in FY21-22 and subsequent years.
- The total increase in state expenditures from the General Fund is estimated to be \$2,917,400 (\$2,000,000 + \$917,400) in FY21-22 and \$6,417,400 (\$5,500,000 + \$917,400) in FY22-23 and subsequent years.
- Since the amount to be reimbursed from the General Fund will be a fixed amount and other airlines may become eligible for the limits proposed in this legislation by meting specific parameters within the proposed legislation, it is possible for the Transportation Equity Trust Fund to experience a decrease in revenue in future fiscal years that would not be covered under the fixed amount estimated in this fiscal memorandum.
- Any increase in expenditures to the Department of Finance and Administration for reporting readily available information each year is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The script is cursive and fluid, with the first letters of each name being capitalized and prominent.

Krista Lee Carsner, Executive Director

/aw